

Part I: Commodities and Money

CHAPTER THREE: MONEY, OR THE CIRCULATION OF COMMODITIES

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SECTION 2: THE MEDIUM OF CIRCULATION

A. The Metamorphosis of Commodities

We saw in a former chapter that the exchange of commodities implies contradictory and mutually exclusive conditions. The differentiation of commodities into commodities and money does not sweep away these inconsistencies, but develops a *modus vivendi*, a form in which they can exist side by side. This is generally the way in which real contradictions are reconciled. For instance, it is a contradiction to depict one body as constantly falling towards another, and as, at the same time, constantly flying away from it. The ellipse is a form of motion which, while allowing this contradiction to go on, at the same time reconciles it.

In so far as exchange is a process, by which commodities are transferred from hands in which they are non-use-values, to hands in which they become use-values, it is a social circulation of matter. The product of one form of useful labour replaces that of another. When once a commodity has found a resting-place, where it can serve as a use-value, it falls out of the sphere of exchange into that of consumption. But the former sphere alone interests us at present. We have, therefore, now to consider exchange from a formal point of view; to investigate the change of form or metamorphosis of commodities which effectuates the social circulation of matter.

The comprehension of this change of form is, as a rule, very imperfect. The cause of this imperfection is, apart from indistinct notions of value itself, that every change of form in a commodity results from the exchange of two commodities, an ordinary one and the money-commodity. If we keep in view the material fact alone that a commodity has been exchanged for gold, we overlook the very thing that we ought to observe — namely, what has happened to the form of the commodity. We overlook the facts that gold, when a mere commodity, is not money, and that when other commodities express their prices in gold, this gold is but the money-form of those commodities themselves.

Commodities, first of all, enter into the process of exchange just as they are. The process then differentiates them into commodities and money, and thus produces an external opposition corresponding to the internal opposition inherent in them, as being at once use-values and values. Commodities as use-values now stand opposed to money as exchange-value. On the other hand, both opposing sides are commodities, unities of use-value and value. But this unity of differences manifests itself at two opposite poles, and at each pole in an opposite way. Being poles they are as necessarily opposite as they are connected. On the one side of the equation we have an ordinary commodity, which is in reality a use-value. Its value is expressed only ideally in its price, by which it is equated to its opponent, the gold, as to the real embodiment of its value. On the other hand, the gold, in its metallic reality, ranks as the embodiment of value, as money. Gold, as gold, is exchange-value itself. As to its use-value, that has only an ideal existence, represented by the series of expressions of relative value in which it stands face to face with all other commodities, the sum of whose uses makes up the sum of the various uses of gold. These antagonistic forms of commodities are the real forms in which the process of their exchange moves and takes place.

Let us now accompany the owner of some commodity — say, our old friend the weaver of linen — to the scene of action, the market. His 20 yards of linen has a definite price, £2. He exchanges it for the £2, and then, like a man of the good old stamp that he is, he parts with the £2 for a family Bible of the same price. The linen, which in his eyes is a mere commodity, a depository of value, he alienates in exchange for gold, which is the linen's value-form, and this form he again parts with for another commodity, the Bible, which is destined to enter his house as an object of utility and of edification to its inmates. The exchange becomes an accomplished fact by two metamorphoses of opposite yet supplementary character — the conversion of the commodity into money, and the re-conversion of the money into a commodity. [16]. The two phases of this metamorphosis are both of them distinct transactions of the weaver — selling, or the exchange of the commodity for money; buying, or the exchange of the money for a commodity; and, the unity of the two acts, selling in order to buy.

The result of the whole transaction, as regards the weaver, is this, that instead of being in possession of the linen, he now has the Bible; instead of his original commodity, he now possesses another of the same value but of different utility. In like manner he procures his other means of subsistence and means of production. From his point of view, the whole process effectuates nothing more than the exchange of the product of his labour for the product of some one else's, nothing more than an exchange of products.

The exchange of commodities is therefore accompanied by the following changes in their form.

Commodity — Money — Commodity.
C — — — — — M — — — — — C.

The result of the whole process is, so far as concerns the objects themselves, C — C, the exchange of one commodity for another, the circulation of materialised social labour. When this result is attained, the process is at an end.

C — M.

First metamorphosis, or sale

The leap taken by value from the body of the commodity, into the body of the gold, is, as I have elsewhere called it, the salto mortale of the commodity. If it falls short, then, although the commodity itself is not harmed, its owner decidedly is. The social division of labour causes his labour to be as one-sided as his wants are many-sided. This is precisely the reason why the product of his labour serves him solely as exchange-value. But it cannot acquire the properties of a socially recognised universal equivalent, except by being converted into money. That money, however, is in some one else's pocket. In order to entice the money out of that pocket, our friend's commodity must, above all things, be a use-value to the owner of the money. For this, it is necessary that the labour expended upon it, be of a kind that is socially useful, of a kind that constitutes a branch of the social division of labour. But division of labour is a system of production which has grown up spontaneously and continues to grow behind the backs of the producers. The commodity to be exchanged may possibly be the product of some new kind of labour, that pretends to satisfy newly arisen requirements, or even to give rise itself to new requirements. A particular operation, though yesterday, perhaps, forming one out of the many operations conducted by one producer in creating a given commodity, may to-day separate itself from this connexion, may establish itself as an independent branch of labour and send its incomplete product to market as an independent commodity. The circumstances may or may not be ripe for such a

separation. To-day the product satisfies a social want. Tomorrow the article may, either altogether or partially, be superseded by some other appropriate product. Moreover, although our weaver's labour may be a recognised branch of the social division of labour, yet that fact is by no means sufficient to guarantee the utility of his 20 yards of linen. If the community's want of linen, and such a want has a limit like every other want, should already be saturated by the products of rival weavers. our friend's product is superfluous, redundant, and consequently useless. Although people do not look a gift-horse in the mouth, our friend does not frequent the market for the purpose of making presents. But suppose his product turn out a real use-value, and thereby attracts money? The question arises, how much will it attract? No doubt the answer is already anticipated in the price of the article, in the exponent of the magnitude of its value. We leave out of consideration here any accidental miscalculation of value by our friend, a mistake that is soon rectified in the market. We suppose him to have spent on his product only that amount of labour-time that is on an average socially necessary. The price then, is merely the moneyname of the quantity of social labour realised in his commodity. But without the leave, and behind the back, of our weaver, the old-fashioned mode of weaving undergoes a change. The labour-time that yesterday was without doubt socially necessary to the production of a yard of linen, ceases to be so to-day, a fact which the owner of the money is only too eager to prove from the prices quoted by our friend's competitors. Unluckily for him, weavers are not few and far between. Lastly, suppose that every piece of linen in the market contains no more labour-time than is socially necessary. In spite of this, all these pieces taken as a whole, may have had superfluous labour-time spent upon them. If the market cannot stomach the whole quantity at the normal price of 2 shillings a yard, this proves that too great a portion of the total labour of the community has been expended in the form of weaving. The effect is the same as if each individual weaver had expended more labour-time upon his particular product than is socially necessary. Here we may say, with the German proverb: caught together, hung together. All the linen in the market counts but as one article of commerce, of which each piece is only an aliquot part. And as a matter of fact, the value also of each single yard is but the materialised form of the same definite and socially fixed quantity of homogeneous human labour. [17].

We see then, commodities are in love with money, but "the course of true love never did run smooth." The quantitative division of labour is brought about in exactly the same spontaneous and accidental manner as its qualitative division. The owners of commodities therefore find out, that the same division of labour that turns them into independent private producers, also frees the social process of production and the relations of the individual producers to each other within that process, from all dependence on the will of those producers, and that the seeming

mutual independence of the individuals is supplemented by a system of general and mutual dependence through or by means of the products.

The division of labour converts the product of labour into a commodity, and thereby makes necessary its further conversion into money. At the same time it also makes the accomplishment of this transubstantiation quite accidental. Here, however, we are only concerned with the phenomenon in its integrity, and we therefore assume its progress to be normal. Moreover, if the conversion take place at all, that is, if the commodity be not absolutely unsaleable, its metamorphosis does take place although the price realised may be abnormally above or below the value.

The seller has his commodity replaced by gold, the buyer has his gold replaced by a commodity. The fact which here stares us in the face is, that a commodity and gold, 20 yards of linen and £2, have changed hands and places, in other words, that they have been exchanged. But for what is the commodity exchanged? For the shape assumed by its own value, for the universal equivalent. And for what is the gold exchanged? For a particular form of its own use-value. Why does gold take the form of money face to face with the linen? Because the linen's price of £2, its denomination in money, has already equated the linen to gold in its character of money. A commodity strips off its original commodity-form on being alienated, *i.e.*, on the instant its use-value actually attracts the gold, that before existed only ideally in its price. The realisation of a commodity's price, or of its ideal value-form, is therefore at the same time the realisation of the ideal use-value of money; the conversion of a commodity into money, is the simultaneous conversion of money into a commodity. The apparently single process is in reality a double one. From the pole of the commodity-owner it is a sale, from the opposite pole of the money-owner, it is a purchase. In other words, a sale is a purchase, C—M is also M—C. [18].

Up to this point we have considered men in only one economic capacity, that of owners of commodities, a capacity in which they appropriate the produce of the labour of others, by alienating that of their own labour. Hence, for one commodity-owner to meet with another who has money, it is necessary, either, that the product of the labour of the latter person, the buyer, should be in itself money, should be gold, the material of which money consists, or that his product should already have changed its skin and have stripped off its original form of a useful object. In order that it may play the part of money, gold must of course enter the market at some point or other. This point is to be found at the source of production of the metal, at which place gold is bartered, as the immediate product of labour, for some other product of equal value. From that moment it always represents the realised price of some commodity. [19. Apart from its exchange for other

commodities at the source of its production, gold, in whose-so-ever hands it may be, is the transformed shape of some commodity alienated by its owner; it is the product of a sale or of the first metamorphosis C—M. [20]. Gold, as we saw, became ideal money, or a measure of values, in consequence of all commodities measuring their values by it, and thus contrasting it ideally with their natural shape as useful objects, and making it the shape of their value. It became real money, by the general alienation of commodities, by actually changing places with their natural forms as useful objects, and thus becoming in reality the embodiment of their values. When they assume this money-shape, commodities strip off every trace of their natural use-value, and of the particular kind of labour to which they owe their creation, in order to transform themselves into the uniform, socially recognised incarnation of homogeneous human labour. We cannot tell from the mere look of a piece of money, for what particular commodity it has been exchanged. Under their money-form all commodities look alike. Hence, money may be dirt, although dirt is not money. We will assume that the two gold pieces, in consideration of which our weaver has parted with his linen, are the metamorphosed shape of a quarter of wheat. The sale of the linen, C—M, is at the same time its purchase, M—C. But the sale is the first act of a process that ends with a transaction of an opposite nature, namely, the purchase of a Bible; the purchase of the linen, on the other hand, ends a movement that began with a transaction of an opposite nature, namely, with the sale of the wheat. C—M (linen—money), which is the first phase of C—M'—C (linen—money—Bible), is also M—C (money—linen), the last phase of another movement C—M—C (wheat—money—linen). The first metamorphosis of one commodity, its transformation from a commodity into money, is therefore also invariably the second metamorphosis of some other commodity, the retransformation of the latter from money into a commodity. [21].

M—C, or purchase

The second and concluding metamorphosis of a commodity

Because money is the metamorphosed shape of all other commodities, the result of their general alienation, for this reason it is alienable itself without restriction or condition. It reads all prices backwards, and thus, so to say, depicts itself in the bodies of all other commodities, which offer to it the material for the realisation of its own use-value. At the same time the prices, wooing glances cast at money by commodities, define the limits of its convertibility, by pointing to its quantity. Since every commodity, on becoming money, disappears as a commodity, it is impossible to tell from the money itself, how it got into the hands of its possessor, or what article has been changed into it. Non olet, from whatever source it may come. Representing on the one hand a sold commodity, it represents on the other a commodity to be bought. [22].

M—C, a purchase, is, at the same time, C—M, a sale; the concluding metamorphosis of one commodity is the first metamorphosis of another. With regard to our weaver, the life of his commodity ends with the Bible, into which he has reconverted his £2. But suppose the seller of the Bible turns the £2 set free by the weaver into brandy M—C, the concluding phase of C—M—C (linen—money—Bible), is also C—M, the first phase of C—M—C (Bible—money—brandy). The producer of a particular commodity has that one article alone to offer; this he sells very often in large quantities, but his many and various wants compel him to split up the price realised, the sum of money set free, into numerous purchases. Hence a sale leads to many purchases of various articles. The concluding metamorphosis of a commodity thus constitutes an aggregation of first metamorphoses of various other commodities.

If we now consider the completed metamorphosis of a commodity, as a whole, it appears in the first place, that it is made up of two opposite and complementary movements, C—M and M—C. These two antithetical transmutations of a commodity are brought about by two antithetical social acts on the part of the owner, and these acts in their turn stamp the character of the economic parts played by him. As the person who makes a sale, he is a seller; as the person who makes a purchase, he is a buyer. But just as, upon every such transmutation of a commodity, its two forms, commodity-form and money-form, exist simultaneously but at opposite poles, so every seller has a buyer opposed to him, and every buyer a seller. While one particular commodity is going through its two transmutations in succession, from a commodity into money and from money into another commodity, the owner of the commodity changes in succession his part from that of seller to that of buyer. These characters of seller and buyer are therefore not permanent, but attach themselves in turns to the various persons engaged in the circulation of commodities.

The complete metamorphosis of a commodity, in its simplest form, implies four extremes, and three dramatic personae. First, a commodity comes face to face with money; the latter is the form taken by the value of the former, and exists in all its hard reality, in the pocket of the buyer. A commodity-owner is thus brought into contact with a possessor of money. So soon, now, as the commodity has been changed into money, the money becomes its transient equivalent-form, the use-value of which equivalent-form is to be found in the bodies of other commodities. Money, the final term of the first transmutation, is at the same time the starting-point for the second. The person who is a seller in the first transaction thus becomes a buyer in the second, in which a third commodity-owner appears on the scene as a seller. [23].

The two phases, each inverse to the other, that make up the metamorphosis of a commodity constitute together a circular movement, a circuit: commodity-form, stripping off of this form, and return to the commodity-form. No doubt, the commodity appears here under two different aspects. At the starting-point it is not a use-value to its owner; at the finishing point it is. So, too, the money appears in the first phase as a solid crystal of value, a crystal into which the commodity eagerly solidifies, and in the second, dissolves into the mere transient equivalent-form destined to be replaced by a use-value.

The two metamorphoses constituting the circuit are at the same time two inverse partial metamorphoses of two other commodities. One and the same commodity, the linen, opens the series of its own metamorphoses, and completes the metamorphosis of another (the wheat). In the first phase or sale, the linen plays these two parts in its own person. But, then, changed into gold, it completes its own second and final metamorphosis, and helps at the same time to accomplish the first metamorphosis of a third commodity. Hence the circuit made by one commodity in the course of its metamorphoses is inextricably mixed up with the circuits of other commodities. The total of all the different circuits constitutes *the circulation of commodities*.

The circulation of commodities differs from the direct exchange of products (barter), not only in form, but in substance. Only consider the course of events. The weaver has, as a matter of fact, exchanged his linen for a Bible, his own commodity for that of some one else. But this is true only so far as he himself is concerned. The seller of the Bible, who prefers something to warm his inside, no more thought of exchanging his Bible for linen than our weaver knew that wheat had been exchanged for his linen. B's commodity replaces that of A, but A and B do not mutually exchange those commodities. It may, of course, happen that A and B make simultaneous purchases, the one from the other; but such exceptional transactions are by no means the necessary result of the general conditions of the circulation of commodities. We see here, on the one hand, how the exchange of commodities breaks through all local and personal bounds inseparable from direct barter, and develops the circulation of the products of social labour; and on the other hand, how it develops a whole network of social relations spontaneous in their growth and entirely beyond the control of the actors. It is only because the farmer has sold his wheat that the weaver is enabled to sell his linen, only because the weaver has sold his linen that our Hotspur is enabled to sell his Bible, and only because the latter has sold the water of everlasting life that the distiller is enabled to sell his *eau-de-vie*, and so on.

The process of circulation, therefore, does not, like direct barter of products, become extinguished upon the use-values changing places and hands. The money

does not vanish on dropping out of the circuit of the metamorphosis of a given commodity. It is constantly being precipitated into new places in the arena of circulation vacated by other commodities. In the complete metamorphosis of the linen, for example, linen — money — Bible, the linen first falls out of circulation, and money steps into its place. Then the Bible falls out of circulation, and again money takes its place. When one commodity replaces another, the money-commodity always sticks to the hands of some third person. [24]. Circulation sweats money from every pore.

Nothing can be more childish than the dogma, that because every sale is a purchase, and every purchase a sale, therefore the circulation of commodities necessarily implies an equilibrium of sales and purchases. If this means that the number of actual sales is equal to the number of purchases, it is mere tautology. But its real purport is to prove that every seller brings his buyer to market with him. Nothing of the kind. The sale and the purchase constitute one identical act, an exchange between a commodity-owner and an owner of money, between two persons as opposed to each other as the two poles of a magnet. They form two distinct acts, of polar and opposite characters, when performed by one single person. Hence the identity of sale and purchase implies that the commodity is useless, if, on being thrown into the alchemistical retort of circulation, it does not come out again in the shape of money; if, in other words, it cannot be sold by its owner, and therefore be bought by the owner of the money. That identity further implies that the exchange, if it do take place, constitutes a period of rest, an interval, long or short, in the life of the commodity. Since the first metamorphosis of a commodity is at once a sale and a purchase, it is also an independent process in itself. The purchaser has the commodity, the seller has the money, *i.e.*, a commodity ready to go into circulation at any time. No one can sell unless some one else purchases. But no one is forthwith bound to purchase, because he has just sold. Circulation bursts through all restrictions as to time, place, and individuals, imposed by direct barter, and this it effects by splitting up, into the antithesis of a sale and a purchase, the direct identity that in barter does exist between the alienation of one's own and the acquisition of some other man's product. To say that these two independent and antithetical acts have an intrinsic unity, are essentially one, is the same as to say that this intrinsic oneness expresses itself in an external antithesis. If the interval in time between the two complementary phases of the complete metamorphosis of a commodity become too great, if the split between the sale and the purchase become too pronounced, the intimate connexion between them, their oneness, asserts itself by producing — a crisis. The antithesis, use-value and value; the contradictions that private labour is bound to manifest itself as direct social labour, that a particularised concrete kind of labour has to pass for abstract human labour; the contradiction between the personification of objects and the representation of persons by things; all these

antitheses and contradictions, which are immanent in commodities, assert themselves, and develop their modes of motion, in the antithetical phases of the metamorphosis of a commodity. These modes therefore imply the possibility, and no more than the possibility, of crises. The conversion of this mere possibility into a reality is the result of a long series of relations, that, from our present standpoint of simple circulation, have as yet no existence. [25].

B. The currency [26] of money

The change of form, C—M—C, by which the circulation of the material products of labour is brought about, requires that a given value in the shape of a commodity shall begin the process, and shall, also in the shape of a commodity, end it. The movement of the commodity is therefore a circuit. On the other hand, the form of this movement precludes a circuit from being made by the money. The result is not the return of the money, but its continued removal further and further away from its starting-point. So long as the seller sticks fast to his money, which is the transformed shape of his commodity, that commodity is still in the first phase of its metamorphosis, and has completed only half its course. But so soon as he completes the process, so soon as he supplements his sale by a purchase, the money again leaves the hands of its possessor. It is true that if the weaver, after buying the Bible, sell more linen, money comes back into his hands. But this return is not owing to the circulation of the first 20 yards of linen; that circulation resulted in the money getting into the hands of the seller of the Bible. The return of money into the hands of the weaver is brought about only by the renewal or repetition of the process of circulation with a fresh commodity, which renewed process ends with the same result as its predecessor did. Hence the movement directly imparted to money by the circulation of commodities takes the form of a constant motion away from its starting-point, of a course from the hands of one commodity-owner into those of another. This course constitutes its currency (*cours de la monnaie*).

The currency of money is the constant and monotonous repetition of the same process. The commodity is always in the hands of the seller; the money, as a means of purchase, always in the hands of the buyer. And money serves as a means of purchase by realising the price of the commodity. This realisation transfers the commodity from the seller to the buyer and removes the money from the hands of the buyer into those of the seller, where it again goes through the same process with another commodity. That this one-sided character of the money's motion arises out of the two-sided character of the commodity's motion, is a circumstance that is veiled over. The very nature of the circulation of commodities begets the opposite appearance. The first metamorphosis of a commodity is visibly, not only the money's movement, but also that of the commodity itself; in the second metamorphosis, on the contrary, the movement appears to us as the movement of the money alone. In the first phase of its circulation the commodity changes place

with the money. Thereupon the commodity, under its aspect of a useful object, falls out of circulation into consumption. [27]. In its stead we have its value-shape — the money. It then goes through the second phase of its circulation, not under its own natural shape, but under the shape of money. The continuity of the movement is therefore kept up by the money alone, and the same movement that as regards the commodity consists of two processes of an antithetical character, is, when considered as the movement of the money, always one and the same process, a continued change of places with ever fresh commodities. Hence the result brought about by the circulation of-commodities, namely, the replacing of one commodity by another, takes the appearance of having been effected not by means of the change of form of the commodities but rather by the money acting as a medium of circulation, by an action that circulates commodities, to all appearance motionless in themselves, and transfers them from hands in which they are non-use-values, to hands in which they are use-values; and that in a direction constantly opposed to the direction of the money. The latter is continually withdrawing commodities from circulation and stepping into their places, and in thus way continually moving further and further from its starting-point Hence although the movement of the money is merely the expression of the circulation of commodities, yet the contrary appears to be the actual fact, and the circulation of commodities seems to be the result of the movement of the money. [28].

Again, money functions as a means of circulation only because in it the values of commodities have independent reality. Hence its movement, as the medium of circulation, is, in fact, merely the movement of commodities while changing their forms. This fact must therefore make itself plainly visible in the currency of money. Thus the linen for instance, first of all changes its commodity-form into its moneyform. The second term of its first metamorphosis, C—M, the money form, then becomes the first term of its final metamorphosis, M—C, its re-conversion into the Bible. But each of these two changes of form is accomplished by an exchange between commodity and money, by their *reciprocal displacement*. The same pieces of coin come into the seller's hand *as the alienated form of the commodity* and leave it as *the absolutely alienable form of the commodity*. They are displaced twice. The first metamorphosis of the linen puts these coins into the weaver's pocket, the second draws them out of it. The two inverse changes undergone by the same commodity are reflected in the displacement, twice repeated, but in opposite directions, of the same pieces of coin.

If, on the contrary, only one phase of the metamorphosis is gone through, if there are only sales or only purchases, then a given piece of money changes its place only once. Its second change of place always expresses the second metamorphosis of the commodity, its re-conversion from money. The frequent repetition of the displacement of the same coins reflects not only the series of metamorphoses that

a single commodity has gone through, but also the intertwining of the innumerable metamorphoses in the world of commodities in general. It is a matter of course, that all this is applicable to the simple circulation of commodities alone, the only form that we are now considering.

Every commodity, when it first steps into circulation, and undergoes its first change of form, does so only to fall out of circulation again and to be replaced by other commodities. Money, on the contrary, as the medium of circulation, keeps continually within the sphere of circulation, and moves about in it. The question therefore arises, how much money this sphere constantly absorbs?

In a given country there take place every day at the same time, but in different localities, numerous one-sided metamorphoses of commodities, or, in other words, numerous sales and numerous purchases. The commodities are equated beforehand in imagination, by their prices, to definite quantities of money. And since, in the form of circulation now under consideration, money and commodities always come bodily face to face, one at the positive pole of purchase, the other at the negative pole of sale, it is clear that the amount of the means of circulation required, is determined beforehand by the sum of the prices of all these commodities. As a matter of fact, the money in reality represents the quantity or sum of gold ideally expressed beforehand by the sum of the prices of the commodities. The equality of these two sums is therefore self-evident. We know, however, that, the values of commodities remaining constant, their prices vary with the value of gold (the material of money), rising in proportion as it falls, and falling in proportion as it rises. Now if, in consequence of such a rise or fall in the value of gold, the sum of the prices of commodities fall or rise, the quantity of money in currency must fall or rise to the same extent. The change in the quantity of the circulating medium is, in this case, it is true, caused by the money itself, yet not in virtue of its function as a medium of circulation, but of its function as a measure of value. First, the price of the commodities varies inversely as the value of the money, and then the quantity of the medium of circulation varies directly as the price of the commodities. Exactly the same thing would happen if, for instance, instead of the value of gold falling, gold were replaced by silver as the measure of value, or if, instead of the value of silver rising, gold were to thrust silver out from being the measure of value. In the one case, more silver would be current than gold was before; in the other case, less gold would be current than silver was before. In each case the value of the material of money, i. e., the value of the commodity that serves as the measure of value, would have undergone a change, and therefore so, too, would the prices of commodities which express their values in money, and so, too, would the quantity of money current whose function it is to realise those prices. We have already seen, that the sphere of circulation has an opening through which gold (or the material of money generally) enters into it as a commodity with a

given value. Hence, when money enters on its functions as a measure of value, when it expresses prices, its value is already determined. If now its value fall, this fact is first evidenced by a change in the prices of those commodities that are directly bartered for the precious metals at the sources of their production. The greater part of all other commodities, especially in the imperfectly developed stages of civil society, will continue for a long time to be estimated by the former antiquated and illusory value of the measure of value. Nevertheless, one commodity infects another through their common value-relation, so that their prices, expressed in gold or in silver, gradually settle down into the proportions determined by their comparative values, until finally the values of all commodities are estimated in terms of the new value of the metal that constitutes money. This process is accompanied by the continued increase in the quantity of the precious metals, an increase caused by their streaming in to replace the articles directly bartered for them at their sources of production. In proportion therefore as commodities in general acquire their true prices, in proportion as their values become estimated according to the fallen value of the precious metal, in the same proportion the quantity of that metal necessary for realising those new prices is provided beforehand. A one-sided observation of the results that followed upon the discovery of fresh supplies of gold and silver, led some economists in the 17th, and particularly in the 18th century, to the false conclusion, that the prices of commodities had gone up in consequence of the increased quantity of gold and silver serving as means of circulation. Hence momentarily whenever we estimate the price of a commodity. On this supposition then, the quantity of the medium of circulation is determined by the sum of the prices that have to be realised. If now we further suppose the price of each commodity to be given, the sum of the prices clearly depends on the mass of commodities in circulation. It requires but little racking of brains to comprehend that if one quarter of wheat costs £2, 100 quarters will cost £200, 200 quarters £400, and so on, that consequently the quantity of money that changes place with the wheat, when sold, must increase with the quantity of that wheat.

If the mass of commodities remain constant, the quantity of circulating money varies with the fluctuations in the prices of those commodities. It increases and diminishes because the sum of the prices increases or diminishes in consequence of the change of price. To produce this effect, it is by no means requisite that the prices of all commodities should rise or fall simultaneously. A rise or a fall in the prices of a number of leading articles, is sufficient in the one case to increase, in the other to diminish, the sum of the prices of all commodities, and, therefore, to put more or less money in circulation. Whether the change in the price correspond to an actual change of value in the commodities, or whether it be the result of mere fluctuations in market-prices, the effect on the quantity of the medium of circulation remains the same. Suppose the following articles to be sold or partially

metamorphosed simultaneously in different localities: say, one quarter of wheat, 20 yards of linen, one Bible, and 4 gallons of brandy. If the price of each article be £2, and the sum of the prices to be realised be consequently £8, it follows that £8 in money must go into circulation. If, on the other hand, these same articles are links in the following chain of metamorphoses: 1 quarter of wheat — £2 — 20 yards of linen — £2 — 1 Bible — £2 — 4 gallons of brandy — £2, a chain that is already well known to us, in that case the £2 cause the different commodities to circulate one after the other, and after realising their prices successively, and therefore the sum of those prices, £8, they come to rest at last in the pocket of the distiller. The £2 thus make four moves. This repeated change of place of the same pieces of money corresponds to the double change in form of the commodities, to their motion in opposite directions through two stages of circulation and to the interlacing of the metamorphoses of different commodities. [29. These antithetic and complementary phases, of which the process of metamorphosis consists, are gone through, not simultaneously, but successively. Time is therefore required for the completion of the series. Hence the velocity of the currency of money is measured by the number of moves made by a given piece of money in a given time. Suppose the circulation of the 4 articles takes a day. The sum of the prices to be realised in the day is £8, the number of moves of the two pieces of money is four, and the quantity of money circulating is £2. Hence, for a given interval of time during the process of circulation, we have the following relation: the quantity of money functioning as the circulating medium is equal to the sum of the prices of the commodities divided by the number of moves made by coins of the same denomination. This law holds generally.

The total circulation of commodities in a given country during a given period is made up on the one hand of numerous isolated and simultaneous partial metamorphoses, sales which are at the same time purchases, in which each coin changes its place only once, or makes only one move; on the other hand, of numerous distinct series of metamorphoses partly running side by side, and partly coalescing with each other, in each of which series each coin makes a number of moves, the number being greater or less according to circumstances. The total number of moves made by all the circulating coins of one denomination being given, we can arrive at the average number of moves made by a single coin of that denomination, or at the average velocity of the currency of money. The quantity of money thrown into the circulation at the beginning of each day is of course determined by the sum of the prices of all the commodities circulating simultaneously side by side. But once in circulation, coins are, so to say, made responsible for one another. If the one increase its velocity, the other either retards its own, or altogether falls out of circulation; for the circulation can absorb only such a quantity of gold as when multiplied by the mean number of moves made by one single coin or element, is equal to the sum of the prices to be realised. Hence if

the number of moves made by the separate pieces increase, the total number of those pieces in circulation diminishes. If the number of the moves diminish, the total number of pieces increases. Since the quantity of money capable of being absorbed by the circulation is given for a given mean velocity of currency, all that is necessary in order to abstract a given number of sovereigns from the circulation is to throw the same number of one-pound notes into it, a trick well known to all bankers.

Just as the currency of money, generally considered, is but a reflex of the circulation of commodities, or of the antithetical metamorphoses they undergo, so, too, the velocity of that currency reflects the rapidity with which commodities change their forms, the continued interlacing of one series of metamorphoses with another, the hurried social interchange of matter, the rapid disappearance of commodities from the sphere of circulation, and the equally rapid substitution of fresh ones in their places. Hence, in the velocity of the currency we have the fluent unity of the antithetical and complementary phases, the unity of the conversion of the useful aspect of commodities into their value-aspect, and their re-conversion from the latter aspect to the former, or the unity of the two processes of sale and purchase. On the other hand, the retardation of the currency reflects the separation of these two processes into isolated antithetical phases, reflects the stagnation in the change of form, and therefore, in the social interchange of matter. The circulation itself, of course, gives no clue to the origin of this stagnation; it merely puts in evidence the phenomenon itself. The general public, who, simultaneously with the retardation of the currency, see money appear and disappear less frequently at the periphery of circulation, naturally attribute this retardation to a quantitative deficiency in the circulating medium. [30].

The total quantity of money functioning during a given period as the circulating medium, is determined, on the one hand, by the sum of the prices of the circulating commodities, and on the other hand, by the rapidity with which the antithetical phases of the metamorphoses follow one another. On this rapidity depends what proportion of the sum of the prices can, on the average, be realised by each single coin. But the sum of the prices of the circulating commodities depends on the quantity, as well as on the prices, of the commodities. These three factors, however, state of prices, quantity of circulating commodities, and velocity of money-currency, are all variable. Hence, the sum of the prices to be realised and consequently the quantity of the circulating medium depending on that sum, will vary with the numerous variations of these three factors in combination. Of these variations we shall consider those alone that have been the most important in the history of prices.

While prices remain constant, the quantity of the circulating medium may increase owing to the number of circulating commodities increasing, or to the velocity of currency decreasing, or to a combination of the two. On the other hand the quantity of the circulating medium may decrease with a decreasing number of commodities, or with an increasing rapidity of their circulation.

With a general rise in the prices of commodities, the quantity of the circulating medium will remain constant, provided the number of commodities in circulation decrease proportionally to the increase in their prices, or provided the velocity of currency increase at the same rate as prices rise, the number of commodities in circulation remaining constant. The quantity of the circulating medium may decrease, owing to the number of commodities decreasing more rapidly; or to the velocity of currency rise.

With a general fall in the prices of commodities, the quantity of the circulating medium will remain constant, provided the number of commodities increase proportionally to their fall in price, or provided the velocity of currency decrease in the same proportion. The quantity of the circulating medium will increase, provided the number of commodities increase quicker, or the rapidity of circulation decrease quicker, than the prices fall.

The variations of the different factors may mutually compensate each other, so that notwithstanding their continued instability, the sum of the prices to be realised and the quantity of money in circulation remain constant; consequently, we find, especially if we take long periods into consideration, that the deviations from the average level, of the quantity of money current in any country, are much smaller than we should at first sight expect, apart of course from excessive perturbations periodically arising from industrial and commercial crises, or less frequently, from fluctuations in the value of money.

The law, that the quantity of the circulating medium is determined by the sum of the prices of the commodities circulating, and the average increasing more rapidly, than prices velocity of currency [31]. may also be stated as follows: given the sum of the values of commodities, and the average rapidity of their metamorphoses, the quantity of precious metal current as money depends on the value of that precious metal. The erroneous opinion that it is, on the contrary, prices that are determined by the quantity of the circulating medium, and that the latter depends on the quantity of the precious metals in a country; [32]. this opinion was based by those who first held it, on the absurd hypothesis that commodities are without a price, and money without a value, when they first enter into circulation, and that, once in the circulation, an aliquot part of the medley of commodities is exchanged for an aliquot part of the heap of precious metals. [33].

C. Coin and symbols of value

That money takes the shape of coin, springs from its function as the circulating medium. The weight of gold represented in imagination by the prices or money-names of commodities, must confront those commodities, within the circulation, in the shape of coins or pieces of gold of a given denomination. Coining, like the establishment of a standard of prices, is the business of the State. The different national uniforms worn at home by gold and silver as coins, and doffed again in the market of the world, indicate the separation between the internal or national spheres of the circulation of commodities, and their universal sphere.

The only difference, therefore, between coin and bullion, is one of shape, and gold can at any time pass from one form to the other. [34]. But no sooner does coin leave the mint, than it immediately finds itself on the high-road to the melting pot. During their currency, coins wear away, some more, others less. Name and substance, nominal weight and real weight, begin their process of separation. Coins of the same denomination become different in value, because they are different in weight. The weight of gold fixed upon as the standard of prices, deviates from the weight that serves as the circulating medium, and the latter thereby ceases any longer to be a real equivalent of the commodities whose prices it realises. The history of coinage during the middle ages and down into the 18th century, records the ever renewed confusion arising from this cause. The natural tendency of circulation to convert coins into a mere semblance of what they profess to be, into a symbol of the weight of metal they are officially supposed to contain, is recognised by modern legislation, which fixes the loss of weight sufficient to demonetise a gold coin, or to make it no longer legal tender.

The fact that the currency of coins itself effects a separation between their nominal and their real weight, creating a distinction between them as mere pieces of metal on the one hand, and as coins with a definite function on the other — this fact implies the latent possibility of replacing metallic coins by tokens of some other material, by symbols serving the same purposes as coins. The practical difficulties in the way of coining extremely minute quantities of gold or silver, and the circumstance that at first the less precious metal is used as a measure of value instead of the more precious, copper instead of silver, silver instead of gold, and that the less precious circulates as money until dethroned by the more precious — all these facts explain the parts historically played by silver and copper tokens as substitutes for gold coins. Silver and copper tokens take the place of gold in those regions of the circulation where coins pass from hand to hand most rapidly, and are subject to the maximum amount of wear and tear. This occurs where sales and purchases on a very small scale are continually happening. In order to prevent these satellites from establishing themselves permanently in the place of gold, positive

enactments determine the extent to which they must be compulsorily received as payment instead of gold. The particular tracks pursued by the different species of coin in currency, run naturally into each other. The tokens keep company with gold, to pay fractional parts of the smallest gold coin; gold is, on the one hand, constantly pouring into retail circulation, and on the other hand is as constantly being thrown out again by being changed into tokens. [35].

The weight of metal in the silver and copper tokens is arbitrarily fixed by law. When in currency, they wear away even more rapidly than gold coins. Hence their functions are totally independent of their weight, and consequently of all value. The function of gold as coin becomes completely independent of the metallic value of that gold. Therefore things that are relatively without value, such as paper notes, can serve as coins in its place. This purely symbolic character is to a certain extent masked in metal tokens. In paper money it stands out plainly. In fact, *ce n'est que le premier pas qui coûte*.

We allude here only to inconvertible paper money issued by the State and having compulsory circulation. It has its immediate origin in the metallic currency. Money based upon credit implies on the other hand conditions, which, from our standpoint of the simple circulation of commodities, are as yet totally unknown to us. But we may affirm this much, that just as true paper money takes its rise in the function of money as the circulating medium, so money based upon credit takes root spontaneously in the function of money as the means of payment. [36].

The State puts in circulation bits of paper on which their various denominations, say £1, £5, &c., are printed. In so far as they actually take the place of gold to the same amount, their movement is subject to the laws that regulate the currency of money itself. A law peculiar to the circulation of paper money can spring up only from the proportion in which that paper money represents gold. Such a law exists; stated simply, it is as follows: the issue of paper money must not exceed in amount the gold (or silver as the case may be) which would actually circulate if not replaced by symbols. Now the quantity of gold which the circulation can absorb, constantly-fluctuates about a given level. Still, the mass of the circulating medium in a given country never sinks below a certain minimum easily ascertained by actual experience. The fact that this minimum mass continually undergoes changes in its constituent parts, or that the pieces of gold of which it consists are being constantly replaced by fresh ones, causes of course no change either in its amount or in the continuity of its circulation. It can therefore be replaced by paper symbols. If, on the other hand, all the conduits of circulation were to-day filled with paper money to the full extent of their capacity for absorbing money, they might to-morrow be overflowing in consequence of a fluctuation in the circulation of commodities. There would no longer be any standard. If the paper money exceed its proper limit,

which is the amount in gold coins of the like denomination that can actually be current, it would, apart from the danger of falling into general disrepute, represent only that quantity of gold, which, in accordance with the laws of the circulation of commodities, is required, and is alone capable of being represented by paper. If the quantity of paper money issued be double what it ought to be, then, as a matter of fact, £1 would be the money-name not of 1/4 of an ounce, but of 1/8 of an ounce of gold. The effect would be the same as if an alteration had taken place in the function of gold as a standard of prices. Those values that were previously expressed by the price of £1 would now be expressed by the price of £2.

Paper money is a token representing gold or money. The relation between it and the values of commodities is this, that the latter are ideally expressed in the same quantities of gold that are symbolically represented by the paper. Only in so far as paper money represents gold, which like all other commodities has value, is it a symbol of value. [37].

Finally, some one may ask why gold is capable of being replaced by tokens that have no value? But, as we have already seen, it is capable of being so replaced only in so far as it functions exclusively as coin, or as the circulating medium, and as nothing else. Now, money has other functions besides this one, and the isolated function of serving as the mere circulating medium is not necessarily the only one attached to gold coin, although this is the case with those abraded coins that continue to circulate. Each piece of money is a mere coin, or means of circulation, only so long as it actually circulates. But this is just the case with that minimum mass of gold, which is capable of being replaced by paper money. That mass remains constantly within the sphere of circulation, continually functions as a circulating medium, and exists exclusively for that purpose. Its movement therefore represents nothing but the continued alternation of the inverse phases of the metamorphosis $C—M—C$, phases in which commodities confront their value-forms, only to disappear again immediately. The independent existence of the exchange-value of a commodity is here a transient apparition, by means of which the commodity is immediately replaced by another commodity. Hence, in this process which continually makes money pass from hand to hand, the mere symbolical existence of money suffices. Its functional existence absorbs, so to say, its material existence. Being a transient and objective reflex of the prices of commodities, it serves only as a symbol of itself, and is therefore capable of being replaced by a token. [38. One thing is, however, requisite; this token must have an objective social validity of its own, and this the paper symbol acquires by its forced currency. This compulsory action of the State can take effect only within that inner sphere of circulation which is coterminous with the territories of the community, but it is also only within that sphere that money completely responds to its function of being the circulating medium, or becomes coin.

SECTION 3: MONEY

The commodity that functions as a measure of value, and, either in its own person or by a representative, as the medium of circulation, is money. Gold (or silver) is therefore money. It functions as money, on the one hand, when it has to be present in its own golden person. It is then the money-commodity, neither merely ideal, as in its function of a measure of value, nor capable of being represented, as in its function of circulating medium. On the other hand, it also functions as money, when by virtue of its function, whether that function be performed in person or by representative, it congeals into the sole form of value, the only adequate form of existence of exchange-value, in opposition to use-value, represented by all other commodities.

A. Hoarding

The continual movement in circuits of the two antithetical metamorphoses of commodities, or the never ceasing alternation of sale and purchase, is reflected in the restless currency of money, or in the function that money performs of a *perpetuum mobile* of circulation. But so soon as the series of metamorphoses is interrupted, so soon as sales are not supplemented by subsequent purchases, money ceases to be mobilised; it is transformed, as Boisguillebert says, from "meuble" into "immeuble", from movable into immovable, from coin into money.

With the very earliest development of the circulation of commodities, there is also developed the necessity, and the passionate desire, to hold fast the product of the first metamorphosis. This product is the transformed shape of the commodity, or its gold-chrysalis. [39]. Commodities are thus sold not for the purpose of buying others, but in order to replace their commodity-form by their money-form. From being the mere means of effecting the circulation of commodities, this change of form becomes the end and aim. The changed form of the commodity is thus prevented from functioning as its unconditionally alienable form, or as its merely transient money-form. The money becomes petrified into a hoard, and the seller becomes a hoarder of money.

In the early stages of the circulation of commodities, it is the surplus use-values alone that are converted into money. Gold and silver thus become of themselves social expressions for superfluity or wealth. This naive form of hoarding becomes perpetuated in those communities in which the traditional mode of production is carried on for the supply of a fixed and limited circle of home wants. It is thus with the people of Asia, and particularly of the East Indies. Vanderlint, who fancies that

the prices of commodities in a country are determined by the quantity of gold and silver to be found in it, asks himself why Indian commodities are so cheap. Answer: Because the Hindus bury their money. From 1602 to 1734, he remarks, they buried 150 millions of pounds sterling of silver, which originally came from America to Europe. [40]. In the 10 years from 1856 to 1866, England exported to India and China (120,000,000 in silver, which had been received in exchange for Australian gold. Most of the silver exported to China makes its way to India.

As the production of commodities further develops, every producer of commodities is compelled. to make sure of the nexus rerum or the social pledge. [41]. His wants are constantly making themselves felt, and necessitate the continual purchase of other people's commodities, while the production and sale of his own goods require time, and depend upon circumstances. In order then to be able to buy without selling, he must have sold previously without buying. This operation, conducted on a general scale, appears to imply a contradiction. But the precious metals at the sources of their production are directly exchanged for other commodities. And here we have sales (by the owners of commodities) without purchases (by the owners of gold or silver). [42]. And subsequent sales, by other producers, unfollowed by purchases, merely bring about the distribution of the newly produced precious metals among all the owners of commodities. In this way, all along the line of exchange, hoards of gold and silver of varied extent are accumulated. With the possibility of holding and storing up exchange-value in the shape of a particular commodity, arises also the greed for gold. Along with the extension of circulation, increases the power of money, that absolutely social form of wealth ever ready for use. "Gold is a wonderful thing! Whoever possesses it is lord of all he wants. By means of gold one can even get souls into Paradise." (Columbus in his letter from Jamaica, 1503.) Since gold does not disclose what has been transformed into it, everything, commodity or not, is convertible into gold. Everything becomes saleable and buyable. The circulation becomes the great social retort into which everything is thrown, to come out again as a gold-crystal. Not even are the bones of saints, and still less are more delicate *res sacrosanctae*, *extra commercium hominum* able to withstand this alchemy. [43]. Just as every qualitative difference between commodities is extinguished in money, so money, on its side, like the radical leveller that it is, does away with all distinctions. [43a]. But money itself is a commodity, an external object, capable of becoming the private property of any individual. Thus social power becomes the private power of private persons. The ancients therefore denounced money as subversive of the economic and moral order of things. [43b]. Modern society, which, soon after its birth, pulled Plutus by the hair of his head from the bowels of the earth, [44] greets gold as its Holy Grail, as the glittering incarnation of the very principle of its own life.

A commodity, in its capacity of a use-value, satisfies a particular want, and is a particular element of material wealth. But the value of a commodity measures the degree of its attraction for all other elements of material wealth, and therefore measures the social wealth of its owner. To a barbarian owner of commodities, and even to a West-European peasant, value is the same as value-form, and therefore to him the increase in his hoard of gold and silver is an increase in value. It is true that the value of money varies, at one time in consequence of a variation in its own value, at another, in consequence of a change in the values of commodities. But this, on the one hand, does not prevent 200 ounces of gold from still containing more value than 100 ounces, nor, on the other hand, does it hinder the actual metallic form of this article from continuing to be the universal equivalent form of all other commodities, and the immediate social incarnation of all human labour. The desire after hoarding is in its very nature unsatiable. In its qualitative aspect, or formally considered, money has no bounds to its efficacy, *i.e.*, it is the universal representative of material wealth, because it is directly convertible into any other commodity. But, at the same time, every actual sum of money is limited in amount, and, therefore, as a means of purchasing, has only a limited efficacy. This antagonism between the quantitative limits of money and its qualitative boundlessness, continually acts as a spur to the hoarder in his Sisyphus-like labour of accumulating. It is with him as it is with a conqueror who sees in every new country annexed, only a new boundary.

In order that gold may be held as money, and made to form a hoard, it must be prevented from circulating, or from transforming itself into a means of enjoyment. The hoarder, therefore, makes a sacrifice of the lusts of the flesh to his gold fetish. He acts in earnest up to the Gospel of abstention. On the other hand, he can withdraw from circulation no more than what he has thrown into it in the shape of commodities. The more he produces, the more he is able to sell. Hard work, saving, and avarice are, therefore, his three cardinal virtues, and to sell much and buy little the sum of his political economy. [45.]

By the side of the gross form of a hoard, we find also its aesthetic form in the possession of gold and silver articles. This grows with the wealth of civil society. "Soyons riches ou paraissions riches" (Diderot).

In this way there is created, on the one hand, a constantly extending market for gold and silver, unconnected with their functions as money, and, on the other hand, a latent source of supply, to which recourse is had principally in times of crisis and social disturbance.

Hoarding serves various purposes in the economy of the metallic circulation. Its first function arises out of the conditions to which the currency of gold and silver coins is subject. We have seen how, along with the continual fluctuations in the extent and rapidity of the circulation of commodities and in their prices, the quantity of money

current unceasingly ebbs and flows. This mass must, therefore, be capable of expansion and contraction. At one time money must be attracted in order to act as circulating coin, at another, circulating coin must be repelled in order to act again as more or less stagnant money. In order that the mass of money, actually current, may constantly saturate the absorbing power of the circulation, it is necessary that the quantity of gold and silver in a country be greater than the quantity required to function as coin. This condition is fulfilled by money taking the form of hoards. These reserves serve as conduits for the supply or withdrawal of money to or from the circulation, which in this way never overflows its banks. [46].

B. Means of Payment

In the simple form of the circulation of commodities hitherto considered, we found a given value always presented to us in a double shape, as a commodity at one pole, as money at the opposite pole. The owners of commodities came therefore into contact as the respective representatives of what were already equivalents. But with the development of circulation, conditions arise under which the alienation of commodities becomes separated, by an interval of time, from the realisation of their prices. It will be sufficient to indicate the most simple of these conditions. One sort of article requires a longer, another a shorter time for its production. Again, the production of different commodities depends on different seasons of the year. One sort of commodity may be born on its own market place, another has to make a long journey to market. Commodity-owner No. 1, may therefore be ready to sell, before No. 2 is ready to buy. When the same transactions are continually repeated between the same persons, the conditions of sale are regulated in accordance with the conditions of production. On the other hand, the use of a given commodity, of a house, for instance, is sold (in common parlance, let) for a definite period. Here, it is only at the end of the term that the buyer has actually received the use-value of the commodity. He therefore buys it before he pays for it. The vendor sells an existing commodity, the purchaser buys as the mere representative of money, or rather of future money. The vendor becomes a creditor, the purchaser becomes a debtor. Since the metamorphosis of commodities, or the development of their value-form, appears here under a new aspect, money also acquires a fresh function; it becomes the means of payment.

The character of creditor, or of debtor, results here from the simple circulation. The change in the form of that circulation stamps buyer and seller with this new die. At first, therefore, these new parts are just as transient and alternating as those of seller and buyer, and are in turns played by the same actors. But the opposition is not nearly so pleasant, and is far more capable of crystallisation. [47]. The same characters can, however, be assumed independently of the circulation of commodities. The class-struggles of the ancient world took the form chiefly of a contest between debtors and creditors, which in Rome ended in the ruin of the

plebeian debtors. They were displaced by slaves. In the middle ages the contest ended with the ruin of the feudal debtors, who lost their political power together with the economic basis on which it was established. Nevertheless, the money relation of debtor and creditor that existed at these two periods reflected only the deeper-lying antagonism between the general economic conditions of existence of the classes in question.

Let us return to the circulation of commodities. The appearance of the two equivalents, commodities and money, at the two poles of the process of sale, has ceased to be simultaneous. The money functions now, first as a measure of value in the determination of the price of the commodity sold; the price fixed by the contract measures the obligation of the debtor, or the sum of money that he has to pay at a fixed date. Secondly, it serves as an ideal means of purchase. Although existing only in the promise of the buyer to pay, it causes the commodity to change hands. It is not before the day fixed for payment that the means of payment actually steps into circulation, leaves the hand of the buyer for that of the seller. The circulating medium was transformed into a hoard, because the process stopped short after the first phase, because the converted shape of the commodity, viz., the money, was withdrawn from circulation. The means of payment enters the circulation, but only after the commodity has left it. The money is no longer the means that brings about the process. It only brings it to a close, by stepping in as the absolute form of existence of exchange-value, or as the universal commodity. The seller turned his commodity into money, in order thereby to satisfy some want, the hoarder did the same in order to keep his commodity in its money-shape, and the debtor in order to be able to pay; if he do not pay, his goods will be sold by the sheriff. The value-form of commodities, money, is therefore now the end and aim of a sale, and that owing to a social necessity springing out of the process of circulation itself.

The buyer converts money back into commodities before he has turned commodities into money: in other words, he achieves the second metamorphosis of commodities before the first. The seller's commodity circulates, and realises its price, but only in the shape of a legal claim upon money. It is converted into a use-value before it has been converted into money. The completion of its first metamorphosis follows only at a later period. [48].

The obligations falling due within a given period, represent the sum of the prices of the commodities, the sale of which gave rise to those obligations. The quantity of gold necessary to realise this sum, depends, in the first instance, on the rapidity of currency of the means of payment. That quantity is conditioned by two circumstances: first the relations between debtors and creditors form a sort of chain, in such a way that A, when he receives money from his debtor B, straightway hands it over to C his creditor, and so on; the second circumstance is the length of

the intervals between the different due-days of the obligations. The continuous chain of payments, or retarded first metamorphoses, is essentially different from that interlacing of the series of metamorphoses which we considered on a former page. By the currency of the circulating medium, the connexion between buyers and sellers, is not merely expressed. This connexion is originated by, and exists in, the circulation alone. Contrariwise, the movement of the means of payment expresses a social relation that was in existence long before.

The fact that a number of sales take place simultaneously, and side by side, limits the extent to which coin can be replaced by the rapidity of currency. On the other hand, this fact is a new lever in economising the means of payment. In proportion as payments are concentrated at one spot, special institutions and methods are developed for their liquidation. Such in the middle ages were the *virements* at Lyons. The debts due to A from B, to B from C, to C from A, and so on, have only to be confronted with each other, in order to annul each other to a certain extent like positive and negative quantities. There thus remains only a single balance to pay. The greater the amount of the payments concentrated, the less is this balance relatively to that amount, and the less is the mass of the means of payment in circulation.

The function of money as the means of payment implies a contradiction without a terminus medius. In so far as the payments balance one another, money functions only ideally as money of account, as a measure of value. In so far as actual payments have to be made, money does not serve as a circulating medium, as a mere transient agent in the interchange of products, but as the individual incarnation of social labour, as the independent form of existence of exchange-value, as the universal commodity. This contradiction comes to a head in those phases of industrial and commercial crises which are known as monetary crises. [49]. Such a crisis occurs only where the ever-lengthening chain of payments, and an artificial system of settling them, has been fully developed. Whenever there is a general and extensive disturbance of this mechanism, no matter what its cause, money becomes suddenly and immediately transformed, from its merely ideal shape of money of account, into hard cash. Profane commodities can no longer replace it. The use-value of commodities becomes valueless, and their value vanishes in the presence of its own independent form. On the eve of the crisis, the bourgeois, with the self-sufficiency that springs from intoxicating prosperity, declares money to be a vain imagination. Commodities alone are money. But now the cry is everywhere: money alone is a commodity! As the hart pants after fresh water, so pants his soul after money, the only wealth. [50]. In a crisis, the antithesis between commodities and their value-form, money, becomes heightened into an absolute contradiction. Hence, in such events, the form under which money appears is of no importance. The money famine continues, whether payments have to be made in gold or in credit money such as bank-notes. [51].

If we now consider the sum total of the money current during a given period, we shall find that, given the rapidity of currency of the circulating medium and of the means of payment, it is equal to the sum of the prices to be realised, plus the sum of the payments falling due, minus the payments that balance each other, minus finally the number of circuits in which the same piece of coin serves in turn as means of circulation and of payment. Hence, even when prices, rapidity of currency, and the extent of the economy in payments, are given, the quantity of money current and the mass of commodities circulating during a given period, such as a day, no longer correspond. Money that represents commodities long withdrawn from circulation, continues to be current. Commodities circulate, whose equivalent in money will not appear on the scene till some future day. Moreover, the debts contracted each day, and the payments falling due on the same day, are quite incommensurable quantities. [52].

Credit-money springs directly out of the function of money as a means of payment. Certificates of the debts owing for the purchased commodities circulate for the purpose of transferring those debts to others. On the other hand, to the same extent as the system of credit is extended, so is the function of money as a means of payment. In that character it takes various forms peculiar to itself under which it makes itself at home in the sphere of great commercial transactions. Gold and silver coin, on the other hand, are mostly relegated to the sphere of retail trade. [53].

When the production of commodities has sufficiently extended itself, money begins to serve as the means of payment beyond the sphere of the circulation of commodities. It becomes the commodity that is the universal subject-matter of all contracts. [54]. Rents, taxes, and such like payments are transformed from payments in kind into money payments. To what extent this transformation depends upon the general conditions of production, is shown, to take one example, by the fact that the Roman Empire twice failed in its attempt to levy all contributions in money. The unspeakable misery of the French agricultural population under Louis XIV., a misery so eloquently denounced by Boisguillebert, Marshal Vauban, and others, was due not only to the weight of the taxes, but also to the conversion of taxes in kind into money taxes. [55]. In Asia, on the other hand, the fact that state taxes are chiefly composed of rents payable in kind, depends on conditions of production that are reproduced with the regularity of natural phenomena. And this mode of payment tends in its turn to maintain the ancient form of production. It is one of the secrets of the conservation of the Ottoman Empire. If the foreign trade, forced upon Japan by Europeans, should lead to the substitution of money rents for rents in kind, it will be all up with the exemplary agriculture of that country. The narrow economic conditions under which that agriculture is carried on, will be swept away.

In every country, certain days of the year become by habit recognised settling days for various large and recurrent payments. These dates depend, apart from other revolutions in the wheel of reproduction, on conditions closely connected with the seasons. They also regulate the dates for payments that have no direct connexion with the circulation of commodities such as taxes, rents, and so on. The quantity of money requisite to make the payments, falling due on those dates all over the country, causes periodical, though merely superficial, perturbations in the economy of the medium of payment. [56].

From the law of the rapidity of currency of the means of payment, it follows that the quantity of the means of payment required for all periodical payments, whatever their source, is in inverse [57]. proportion to the length of their periods. [58].

The development of money into a medium of payment makes it necessary to accumulate money against the dates fixed for the payment of the sums owing. While hoarding, as a distinct mode of acquiring riches, vanishes with the progress of civil society, the formation of reserves of the means of payment grows with that progress.

C. Universal Money

When money leaves the home sphere of circulation, it strips off the local garbs which it there assumes, of a standard of prices, of coin, of tokens, and of a symbol of value, and returns to its original form of bullion. In the trade between the markets of the world, the value of commodities is expressed so as to be universally recognised. Hence their independent value-form also, in these cases, confronts them under the shape of universal money. It is only in the markets of the world that money acquires to the full extent the character of the commodity whose bodily form is also the immediate social incarnation of human labour in the abstract. Its real mode of existence in this sphere adequately corresponds to its ideal concept.

Within the sphere of home circulation, there can be but one commodity which, by serving as a measure of value, becomes money. In the markets of the world a double measure of value holds sway, gold and silver. [59].

Money of the world serves as the universal medium of payment, as the universal means of purchasing, and as the universally recognised embodiment of all wealth. Its function as a means of payment in the settling of international balances is its chief one. Hence the watchword of the mercantilists, balance of trade. [60. Gold and silver serve as international means of purchasing chiefly and necessarily in those periods when the customary equilibrium in the interchange of products between different nations is suddenly disturbed. And lastly, it serves as the universally recognised embodiment of social wealth, whenever the question is not of buying or paying, but of transferring wealth from one country to another, and

whenever this transference in the form of commodities is rendered impossible, either by special conjunctures in the markets or by the purpose itself that is intended. [61]

Just as every country needs a reserve of money for its home circulation so, too, it requires one for external circulation in the markets of the world. The functions of hoards, therefore, arise in part out of the function of money, as the medium of the home circulation and home payments, and in part out of its function of money of the world. [62. For this latter function, the genuine money-commodity, actual gold and silver, is necessary. On that account, Sir James Steuart, in order to distinguish them from their purely local substitutes, calls gold and silver "money of the world."

The current of the stream of gold and silver is a double one. On the one hand, it spreads itself from its sources over all the markets of the world, in order to become absorbed, to various extents, into the different national spheres of circulation, to fill the conduits of currency, to replace abraded gold and silver coins, to supply the material of articles of luxury, and to petrify into hoards. [63. This first current is started by the countries that exchange their labour, realised in commodities, for the labour embodied in the precious metals by gold and silver-producing countries. On the other hand, there is a continual flowing backwards and forwards of gold and silver between the different national spheres of circulation, a current whose motion depends on the ceaseless fluctuations in the course of exchange. [64.

Countries in which the bourgeois form of production is developed to a certain extent, limit the hoards concentrated in the strong rooms of the banks to the minimum required for the proper performance of their peculiar functions. [65. Whenever these hoards are strikingly above their average level, it is, with some exceptions, an indication of stagnation in the circulation of commodities, of an interruption in the even flow of their metamorphoses. [66.

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